

## PRESS RELEASE

### SALAPA BIKAS BANK LIMITED

December 2025

#### Rating

Instrument/Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN B+ (Is)	Upgraded from IRN B (Is)
<b>Total</b>	<b>NA</b>		

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has upgraded the issuer rating to IRN B+ (Is) [Single B Plus (Issuer)] from IRN B (Is) [Single B (Issuer)]. Issuers with this rating are considered to have a high risk of default regarding the timely servicing of financial obligations.

#### Detailed Rationale

The upgradation of rating assigned to Salapa Bikas Bank Limited (SBBL) mainly factors in improvement in asset quality as indicated by Gross Non Performing Assets (GNPA) improving to ~2.80% at the end of FY25 (industry average: 5.03%) from ~3.80% as of mid-July 2024 (industry average: 3.62%) owing to robust recovery action taken by new management team boosting its provision coverage to ~100% and net Non-Performing Loan/Tangible Net Worth (NPL/TNW) ratio to ~3.83% in FY25. While the cyclical trend of elevated GNPA levels in the first quarter persists, largely due to overall slowdown in the economy the GNPA ratio increased to 7.61% as of mid-October 2025; however, this remains lower than the ~9.43% recorded in Q1FY25. The rating also factors in expanding size of business operations with deposits increasing by ~51% and advances by ~13% in FY25 over FY24. This expansion has positively impacted profitability, as evidenced by a significant increase in net interest income and profit after tax in FY25, albeit from a relatively modest base. The rating also takes positive note of SBBL's diversified credit portfolio, and increasing granularity in loan portfolio as well as depositor's base.

However, the rating remains constrained due to higher, albeit decreasing CASA<sup>1</sup> proportion of the bank across the years (~44% in FY25 vis-à-vis ~53% in FY24 and ~63% in FY23). Despite the lowered CASA proportion resulting in a lowered cost of deposits (~6.3% in FY25), it has led to stressed liquidity profile with negative cumulative mismatches except over 1 year. The resulting is expected to cause a negative effect on SBBL's modest financial profile with SBBL. The rating is also constrained due to high capitalization level (SBBL reported overall CAR of ~31% in Q1FY26 vis-à-vis ~26% in FY25 and ~20% in FY24) indicating inability of management to properly utilize its resources to generate higher returns. The rating is further weakened by its limited geographical coverage (SBBL is a one district operational development bank), higher operational expenses/total income ratio (~51% in FY25 vis-à-vis ~52% in FY24 and ~53% in FY23), lack of investment in other securities and small asset base. The rating also takes note of certain regulatory restriction on Class B Development banks, foreign currency based transactions and smaller capital base in comparison to commercial banks.

Going forward, the bank's ability to improve its asset quality alongside financial profile, leverage and utilize its capital structure to generate profit, maintain a stable liquidity profile and manage impact of any regulatory changes by NRB would remain key rating sensitivities.

#### Detailed Description of Key Rating Drivers

##### Key Rating Strengths

#### **Fair track record of operations coupled with experienced promoters and management team**

Established in the year 2012 AD, SBBL has a fair track record of operation navigating in fairly dynamic and competitive environment. The bank's profile derives strength from its promoters who are

<sup>1</sup> Current and Saving Account proportion

experienced in the banking and finance sector. SBBL is managed under the overall guidance of six membered board of directors chaired by Mr. Tanka Rai, who has over a decade of experience in banking and business sectors. The senior management team is headed by chief executive officer Mr. Yogendra Pun, who has decades' worth of experience acting as province head of different commercial banks. He is aptly supported by an experienced management team.

### **Increasing scale of operations backed by consistent growth in deposits and stable growth in advances with diversified portfolio**

SBBL deposits grew by ~50% reaching ~NPR 1,336 Mn at the end of FY25 from NPR 886 Mn in FY24 owing to management's efforts on market penetration. Likewise, the advances has also shown a moderate growth trajectory with ~13% growth reaching to ~NPR 1,103 Mn in FY25 from ~NPR 982 Mn in FY24. In addition to such, the loans and advances portfolio has further been diversified by SBBL. At the end of Q1FY26, the proportion is concentrated at 40.55% for consumption and 33.57% for agriculture and forest related loan, followed by 10.23% towards wholesaler and retailer loan and 7.84% towards other sectors. The management's ability to further expand its business and diversify its loan portfolio will remain a key monitorable.

### **Improving asset quality, however trend of higher NPA at beginning of year persists**

SBBL continues to exhibit a cyclical pattern in asset quality, with elevated NPA levels typically observed in the first quarter of each fiscal year. Despite the seasonal spike, asset quality metrics have improved structurally, with the GNPL ratio declining to ~2.80% in FY25; among the lowest in the industry and well below the industry average of ~5.03% supported by a reduced delinquent portfolio of NPR 26 Mn and provision coverage ratio of ~100%. This represents a notable improvement over FY24, which reported a GNPL ratio of 3.80% (industry average: 3.62%), a delinquent portfolio of NPR 30 Mn, and provision coverage of ~98.53%. The solvency indicator (net NPL to net worth) continues to track GNPL movements, moderating to 3.83% in FY25 from 3.32% in FY24, though remaining elevated at 13.25% in Q1FY26 (Q1FY25: 12.99%), consistent with the bank's seasonal asset quality pattern. The reduction in asset slippages is primarily attributable to robust recovery measures implemented by the new management team. The ability of management to continuously monitor and reduce SBBL's asset slippages while expanding its operation and asset base will remain a key rating sensitivity.

## **Key Rating Weaknesses**

### **High capital adequacy level**

SBBL's overall Capital Adequacy Ratio (CAR) stood at 30.79% as on Mid-October 2025, (26.15% as on Mid-July 2025 and 19.60% as on Mid-July 2024) as against regulatory requirement of 11%. Further, overall CAR remained high and have remained stable during FY23-24 after CAR reduced from 42.50% in FY22 due to increase in risk weighted exposures. Having a high CAR compared to the industry average (13.42% as on Q1FY26) may also indicate that the bank is not effectively utilizing its capital. This can be a concern from rating perspective as it indicated SBBL's inability to utilize its capital to generate higher returns to some extent. With further capital of NPR 172 Mn being issued to the public, the utilization of such additional capital to generate returns will remain key monitorable.

### **Higher proportion of CASA resulting in large interest spread and stressed liquidity challenges to SBBL**

SBBL's CASA ratio, while remaining relatively high, has exhibited a consistent declining trend in recent years. The CASA proportion decreased to ~43.82% in FY25 from ~53.09% in FY24, ~63.07% in FY23, ~69.35% in FY22, and ~71.89% in FY21. Despite this decline, the FY25 CASA ratio remains marginally higher than the industry average of 42.43% and significantly above the historical industry range of approximately 25-30% observed during FY21-FY24. Notwithstanding the reduction in CASA from nearly ~72% to about ~44%, the ratio remains

elevated by industry standards. As a result, liquidity challenges persist, albeit in a moderated form which has contributed to liquidity challenges, with net cumulative mismatches across short-term buckets (except beyond one year), potentially compelling the bank to raise higher-cost funds to meet short-term obligations in times of stress which if occurred can cause severe consequences given SBBL's modest financial profile. SBBL has adhered to regulatory norms with a CRR of ~4.05% as of FY24 end (against NRB's 4% requirement) and an SLR of 37.20% as of FY25 end (against the 12% minimum). Its liquidity coverage ratio (LCR) stood at 38.63% as of mid-July 2025 (~49.50% as of mid-July 2024), reflecting stable compliance with liquidity metrics.

### Intense Competition and regulatory restrictions

Currently there are 17 Development Banks, including eight nationwide development banks, nine regional development banks among which 6 operates in 1-5 district, 1 each operates in 1-3 district, 1-7 district and 1 district respectively. These banks cumulatively account for 1,134 branches and supports ~7.6 Mn Deposit accounts and 0.27 Mn loan accounts (based on Monthly statistics published by NRB for Mid-October 2025). SBBL is a 1 district regional development bank based in Khotang with 6 branches along with head office as on same date. Industry (Class 'B' Development Banks) has achieved total interest income of ~NPR 13.36 Bn during November 2025 with ~NPR 5.88 Bn net interest income; SBBL's share on interest income is 0.33% (NPR 44 Mn) and 0.40% share on net interest income (NPR 24 Mn) for the same period. The Development Bank sector faces several challenges, including intense competition in interest rates, regulatory restrictions imposed prohibiting development banks from foreign currency transactions and hypothecation loan borrowings among others. Additionally, development banks face competitive disadvantages due to their smaller capital base and more limited reach compared to commercial banks. Emerging challenges also include the growing demand for technology-driven services and the need to adapt to rapidly evolving customer expectations in the digital age.

**Analytical Approach:** Standalone

### Applicable Criteria:

[Bank Rating Methodology](#)

### Link to past rating rationale:

[Salapa Bikas Bank Limited: Issuer Rating Assigned](#)

### About the Company:

Salapa Bikas Bank Limited (SBBL) is a one-district regional development bank based in Khotang with 6 branches along with head office as on October 13, 2025. SBBL is a "B" Class Development Bank licensed by Nepal Rastra Bank (NRB). SBBL was incorporated on July 16, 2012 and started commercial operation from 2012 itself. SBBL is promoted by individuals from various backgrounds and Mr. Dhan Prasad Rai (0.61%) and Mr. Manindra Rai (0.50%) are the major shareholders of SBBL as on Mid-October 2025. SBBL has a paid up capital of NPR 350 Mn as on same date and its entire shareholding is held by promoters themselves.

### Financial Indicators (Standalone):

(NPR Mn)

For the year ended* As on	FY22	FY23	FY24	FY25	Q1FY26
	Audited	Audited	Audited	Audited	Unaudited
Interest Income	105	127	138	148	35
Total Income	111	133	143	160	47
Interest Expenses	48	67	65	71	20
Net Interest Income	57	60	72	76	15
Profit After Tax	14.6	-3.2	0.3	6.7	-10.0

For the year ended* As on	FY22	FY23	FY24	FY25	Q1FY26
	Audited	Audited	Audited	Audited	Unaudited
Deposits	776	787	886	1,336	1,438
Advances (Gross Figure)	680	830	982	1,103	1,181
Total Assets	1,351	1,366	1,443	1,776	1,828
<b>Ratios</b>					
Interest Rate Spread (%)	10.24	9.24	8.46	6.29	4.40
CASA (%)	69.35	63.07	53.09	43.82	NA
Total CAR (%)	41.38	23.79	28.41	26.15	30.79
Tier-I Capital (%)	42.50	24.59	29.34	25.22	NA
Gross NPL to Gross Advances (%)	3.53	3.11	3.80	2.80	7.61
Provision Coverage Ratio (%)	112.70	121.19	98.53	99.66	57.19
Cost of Funds (%)	5.99	7.48	6.61	6.00	5.88
Credit to Deposit Ratio (%)	87.61	105.57	110.87	82.52	82.16
Net Liquid Assets to Total Deposit (%)	80.04	64.26	49.50	41.19	38.63

\* Classification as per Infomerics Nepal Standard

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## About Infomerics Credit Rating Nepal Limited:

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# Infomerics Credit Rating Nepal Limited

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